



## Canada: 2009

### TransCanada Pipelines Receives Approval for \$1.2 Billion Gas-fired Power Plant in Ontario

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#### Summary

TransCanada Pipelines, located in Calgary, AB has been awarded a \$US1.2-billion contract to build, own and operate a 900 megawatt power plant in Southwest Ontario on a 20-year supply granted by the Ontario Power Authority (OPA). The plant will be fired with natural gas and is expected to produce electricity by 2013. The Ontario government recently announced plans to close all coal fired plants by 2014 and is seeking cleaner energy sources for the province. This announcement will result in the construction of new gas-fired power plants for producing electricity and a higher demand for natural gas.

#### Market Data

In light of Ontario's bid to seek sources of clean power including hydro, wind and gas-fired energy production, OPA awarded Calgary-based TransCanada the contract to build, own and operate a 900-megawatt natural gas fired energy plant in order to offset the effects of the province's plans. The natural gas needs for plant building, in addition to the needs for new plant operations, will drive further increased demand for natural gas. Demand for energy in Ontario is already outstripping in-province supply at peak times. There continues to be a solid demand for electrical equipment. Energy Minister Donna Cansfield has described Ontario as in the midst of an energy crisis, requiring the replacement or refurbishment of 25,000 megawatts of generating capacity by 2020, at an investment that will most likely total between \$US40 and \$US70 billion.

As concern over the production of electricity based on high carbon emission fossil fuels continues grow, the Ontario government has developed an action plan designed to combat emissions and reliance on such energy sources. The Landmark Green Energy Act is the Ontario government's bid to boost investment in renewable energy projects and increase conservation. This bill is the legal framework for the new Ontario Feed-in Tariff Program which offers important incentives for investments in renewable energy projects including wind, solar, hydro, biomass and biogas in Ontario.

To date, Ontario has brought over 1,200 megawatts of new renewable energy on line since October 2003. Over \$US4.6 billion has been invested in renewable energy projects as well as the construction of facilities facilitating in the development of non-fossil fuel based energy. According to the Ontario government, coal-fired generation is the single largest source of air pollution in Ontario and eliminating this technology will be the largest climate change initiative in Canada.

Canada's natural gas pipeline system is highly interconnected with the United States. The system includes:

The 1,300-mile, 1.9-Bcf/d Gas Transmission Northwest pipeline running from the British Columbia-Idaho border to the Oregon-California border, connecting TransCanada's western Canadian network to the U.S. domestic market;

The 2,000-mile, 2.4-Bcf/d Great Lakes Gas Transmission pipeline running from Emerson, Manitoba to St. Clair, Ontario, servicing Minnesota, Wisconsin, and Michigan;

The 400-mile, 0.9-Bcf/d Iroquois Gas Transmission System running from the New York-Canada border to Long Island, servicing natural gas distribution networks in New York State;

The 280-mile, 0.2-Bcf/d Portland Natural Gas Transmission System distributing natural gas from Quebec to greater New England,

And the 780-mile, 650-MMcf/d Maritimes and Northeast Pipeline transporting natural gas from Canada's Atlantic natural gas fields to Dracut, Massachusetts, where it interfaces with the U.S. domestic network.

### **Best Prospects**

TransCanada is best known for its sprawling Canadian network of natural gas pipelines; however the approval of this bid has opened up its interests in the production of electricity in Ontario. Energy production fired through natural gas instead of other fossil fuels will grow in popularity and expand far beyond this initial project. Opportunities will be created for American companies entering or wishing to enter the Ontario energy industry and/or suppliers of energy related manufacturing equipment and services, as well as construction contracts and other sources of renewable energy and plant building. Energy production that has been fueled using alternative energy sources to fossil fuels will also be an emerging market once larger scale production begins. With further technological developments, the potential to expand the energy industry in Eastern Canada will produce equipment and technological developments, vast construction contracts, and a necessity for heavy machinery, as well as a significant labor market specializing in the production and maintenance of Ontario's wind, solar, hydro, biomass and biogas energy sectors.

### **Resources & Contacts**

FERC. "2008 State of the Markets report."

[http://www.ferc.gov/market-oversight/st-mkt-ovr/2008-som-final.pdf?xml=http://search.atomz.com/search/pdfhelper.tk?sp\\_o=74,100000,0](http://www.ferc.gov/market-oversight/st-mkt-ovr/2008-som-final.pdf?xml=http://search.atomz.com/search/pdfhelper.tk?sp_o=74,100000,0)

Natural Gas Organization. "Regulations."

<http://www.naturalgas.org/regulation/regulation.asp>

Energy Information Administration. "U.S. Natural Gas Exports by Country."

[http://tonto.eia.doe.gov/dnav/ng/ng\\_move\\_expc\\_s1\\_m.htm](http://tonto.eia.doe.gov/dnav/ng/ng_move_expc_s1_m.htm)

Ontario Gas Prices. "Gas Prices."

<http://www.ontariogasprices.com/index.aspx>

Ontario Ministry of Energy and Infrastructure. "Ontario's Green Energy Act."

<http://www.mei.gov.on.ca/en/energy/gea/>

Ontario Power Authority. "TransCanada Power Plant Contract."

<http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=7005>

## For More Information

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